Weekly Economic Review

Inflation picks up at start of 2016

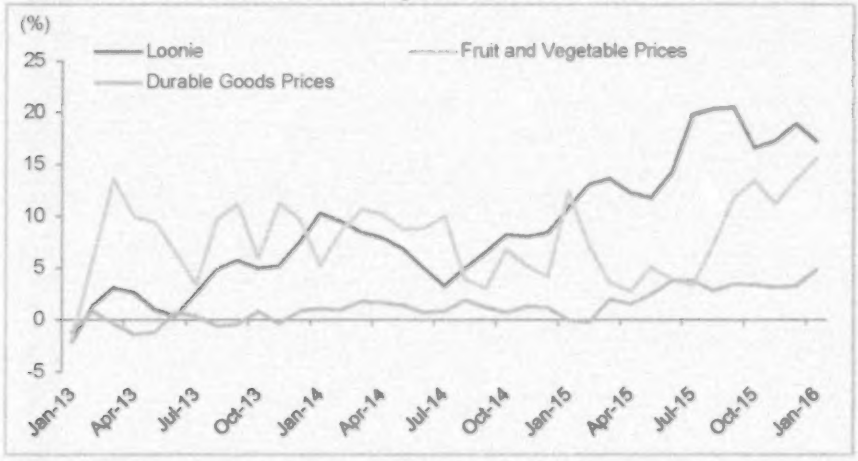
Consumer Price Index

Low Loonie boosts inflation

Alberta's Consumer Price Index (CPI) increased 2.1% year-over-year (y/y) in January. The impact of a depreciated Loonie has become evident in pushing up the costs of imported goods (Chart 1). Food prices were up 4.0% y/y mostly due to costlier fresh fruits and vegetables, as well as rising prices at restaurants. Prices for durable goods like home furnishings, equipment and passenger vehicles were up 4.8% y/y. In contrast, the downward pressure from low energy prices is receding. Though energy prices were still down 6.8% y/y, gasoline prices increased (on year-over-year basis) for the first time since October 2014. Excluding food and energy, inflation was up 2.4% y/y.

Chart 1: Inflation increases at outset of 2016

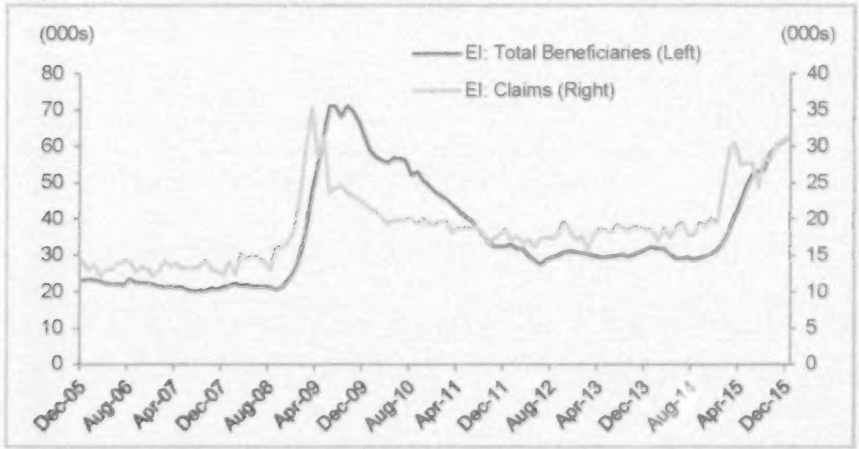
Canadian dollar and Alberta durable goods and food inflation



Source: Statistics Canada
Note: Exchange rate is USD/CAD. Upward movement signals depreciation.

Chart 2: EI Beneficiaries double since last December

Alberta employment insurance beneficiaries and claims



Source: Statistics Canada

Employment Insurance

Beneficiaries double at year's end

Alberta's Employment Insurance (EI) claims reached 31,410 in December (Chart 2), the highest monthly figure since March 2009. On a year-over-year basis claims were up 61%. Moreover, the number of Albertans receiving regular EI benefits doubled compared with December 2014, hitting 62,480. Two-thirds of regular beneficiaries were residents of Calgary and Edmonton, though the number of recipients in the Wood Buffalo and Red Deer regions rose. Albertans working in trades, transportation and equipment operations made up 41% of beneficiaries, followed by those working in business, finance and administration, which made up nearly 14% of beneficiaries. Overall in 2015 the number of EI beneficiaries averaged 50,382, up 67% compared with 2014.

Resale Housing

Weakness spills into 2016

Alberta's resale housing market got off to a tough start in 2016 as existing home sales fell to 4,040 (-7.0% m/m) in January, the sixth monthly decline in a row. On a year-over-year basis, sales were down 9.6% and have been steadily weakening for over a year. The number of new listings fell 3.5% y/y to 9,762. The resale market continued to soften, with falling sales in both Calgary

(-10% y/y) and Edmonton (-3.3% y/y). As existing home sales and new listings waned, the sales-to-new listings ratio reached 41.4%, just above a buyer's market (under 40% is a buyer's market). The persistent weakness pushed the average resale price across Alberta down to $383,023 (-2.6% y/y).

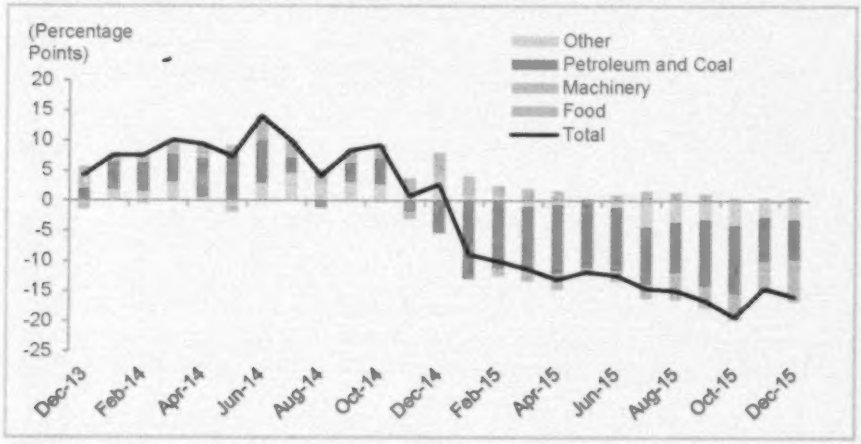
Manufacturing Shipments

Underwhelming finale in 2015 for Alberta manufacturing

Alberta's manufacturers continued to struggle at the end of 2015. Manufacturing shipments fell for a sixth straight month to $5.3 billion in December, down 16% year-over-year. Petroleum and coal products, along with machinery manufacturing were the main sources of weakness (Chart 3). Petroleum and coal products were down 29% y/y, largely on account of lower prices. The weak manufacturing climate continued to spread beyond energy producers; non-energy shipments were down 12% y/y, shrinking for a tenth straight month. With energy producers trimming costs, equipment investment has waned, leading to a 56% y/y drop in machinery manufacturing. In contrast, food manufacturing has been one of the few industries in which shipments have held up (+4.0% y/y).

Chart 3: Machinery and petroleum drag down manufacturing

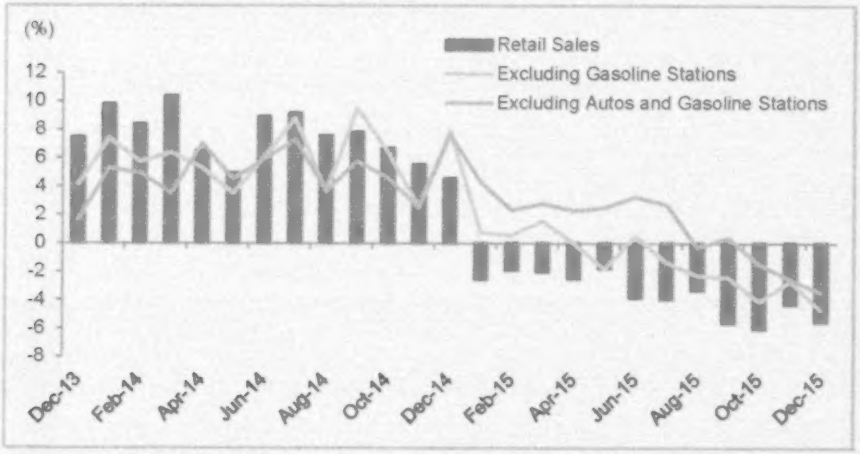
Contributions to monthly change in Alberta manufacturing shipments



Source: Statistics Canada

Chart 4: A tough year end for retailers

Year-over-year change in Alberta retail sales



Source: Statistics Canada

New Motor Vehicle Sales

Sales end 2015 in the slow lane

Albertans continued to hold off on new vehicles purchases as 2015 came to a close. There were 15,859 new motor vehicles sold in December, down 22% from a year ago and the biggest year-over-year drop since June 2009. Truck sales (including SUVs and vans) were down 23% y/y, while passenger car sales declined 16% y/y. Purchases of new vehicles have steadily waned amid the province's economic slowdown. A total of 242,356 new motor vehicles were sold in Alberta during 2015, 13% fewer than in 2014.

Retail Sales

Retail squeezed across the board

Alberta's retail sales fell to $6.1 billion in December, down 5.3% y/y to the lowest level since July 2013 (Chart 4). Gas stations (-15%) and vehicles and parts dealers (-8.3%) both experienced further declines in sale values and volumes, and remained the two biggest drags on retail trade. Most other retail categories also struggled with weak sales. Excluding gas stations and automotive retailers, retail trade was down 3.5% y/y, with nine out of eleven retail categories experiencing weaker sales. Sales at health and personal care stores (3.5% y/y) and sporting goods, hobby, book and music retailers (2.0% y/y) were up, bucking the weak trend.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.